

Parnell Trust Annual Report 2020



Our vision is for a sustainable, vibrant,
inclusive and connected community



ParnellTrust

Parnell Community Trust

Chair's Report

for the year ended 30 June 2020

It has been an outstanding year at the Trust.

We began the year on 1 July 2019 in a difficult position, with a bottom line loss of \$147,925.

Over the next 9 months, through diligence, commitment and tenacity, our CEO Lyn Fox and her team improved that position. By March 2020 we saw improved sales, lowered costs, improved cash flow and reduced borrowings. We enjoyed increased occupancy at our childcare facilities, higher use of our venue and community facilities and a broader reach to our newly expanded community. We strengthened and built upon the supportive relationships we have and continue to develop with local community boards.

As a result, we were in an excellent position to deal with the inevitable troubles when Covid-19 struck.

Our CEO again showed exceptional leadership, carefully steering the Trust through the pandemic turbulence.

We coped with the COVID-19 lockdowns under Level 4 which closed all of the operations of Parnell Trust for five weeks. We reopened the Early Childhood Centres in Level 3 for children whose parents provide essential services. We maintained good staff morale. We paid all staff at least 80% of their pay throughout the periods when we were closed. We maintained good relationships with our community. We continued to provide community support where we could and kept our clients informed so they returned to us when we were able to reopen.

Despite the challenges of the year, by year end we had markedly strengthened our financial position. Our earnings improved dramatically from a loss last year of nearly \$150,000 to a small loss this year, after prudent and conservative treatment of assets, of under \$5,000. Our cash flow improved by \$363,273 and our borrowings reduced by \$321,855, significantly improving our position with the bank.

Our board of trustees has been available to support Lyn and her team throughout the turbulence, sometimes at short notice. We started the year as a small and nimble team. That proved ideal to navigate the new waters of sudden dramatic changes (and Zoom meetings).

Christiane Pracht retired as a trustee in February 2020 after 7 years of dedicated and dynamic service. We are grateful to her for it, particularly for her leadership in ensuring greater gender diversity on the Board. Christine continues to be a regular at our popular Parnell Farmers Market, alert levels allowing.

Len Ward joined us with impeccable timing in February 2020. His rigorous due diligence before joining reassured the rest of the board. Len has significant senior executive and company director experience primarily in the financial markets sector and energy markets. Until May 2020 he was a commercial/corporate lawyer with his own practice based in Auckland. He is a member of the Special Division of the New Zealand Markets Disciplinary Tribunal and currently chairs two private companies.

Our continuing trustees Lynne Bjarnesen (Deputy Chair and Chair of Finance and Audit Subcommittee), Kirsty Cameron (Secretary and Journalist with PR/publishing experience) and Chris Cole (ECE and business expert) all provide valuable expertise and guidance to the Trust. Our Honorary Treasurer Bill Sinclair's conscientiousness and sharp eye are a byword. This year in particular he has gone above and beyond in providing his expertise to the Trust. We are blessed to have such an outstanding team of trustees, who between them cover Auckland from Hillsborough to Waiheke Island.

Where to next? The Trust is in good heart. Over the past year we have built an excellent foundation for our vision of expansion of our services to a wider community. The Trust began in 1982 as the Knox Centre Trust. In 1995 it expanded its horizons and changed its name to the Parnell Community Trust. Now our horizons are expanding again. We are actively working on a new name for the Trust to reflect our broadened appeal and reach.

I look forward to seeing what 2021 brings.



Kate Wiseman

CHAIR

Parnell Community Trust

Chief Executive's Report

for the year ended 30 June 2020

Oh, what a year!

Our year got off to an excellent start knowing we had been awarded the management contract of Epsom Community Centre. We were full of ideas and were very excited to be charged by Albert-Eden Local Board and Council with the opportunity to engage with this community and breathe life back into the Epsom centre.

We also won the contract to provide Before and After School Programmes for Kadimah School which started in January.

We began the year being very focused on increasing occupancy of childcare centres, ensuring high use of venue and controlling costs (which had been reviewed in the prior year) and determined to achieve a significant improvement in our financial position during 2019/2020. All three early childhood centres had increased occupancy levels to record numbers by the beginning of March and looked forward to further increases in occupancy from additional enrolments booked for the coming months.

Venue was achieving good occupancy levels and community classes were well patronised.

All was going swimmingly until the adverse impact of COVID-19 and various lockdowns and restrictions which have been externally imposed.

Upon returning to Levels 2 and 1, we saw many of our children enrolled in early childhood reduce their days from full-time to part-time, as parents were working from home. Venue saw a high level of bookings due to pent-up demand. However, many clients did not use our catering service, which had an impact on revenue. The only area of concern was the Before and After School Programmes which have seen a substantial reduction in numbers attending.

During COVID-19 we were eligible for the Wage Subsidy and Wage Subsidy Extension that covered wages and salaries to 16 August 2020. This, in conjunction with the Ministry of Education retaining funding at that provided for "Day one" enrolments of Level 4 lockdown, enabled us to retain all staff and pay wages and salaries to staff at 80% until we reached Level 2.

The improvement in the result of all of our divisions reflects the focused work done by a very dedicated team and I believe this would have ensured that we would have achieved a similar trading result to our final year end position if we had continued without COVID-19 and the wage subsidies.

Highlights of the Year

Parnell Community Centre, Venue, Classes and Parnell Farmers' Market

With renovations completed and the scaffolding removed from our carpark we were able to get back to business with our newly renovated Jubilee Hall, kitchen and toilets. This resulted in usage of the Jubilee Building returning to pre-renovation levels by Community and Venue. On many days in February and March all rooms were occupied from 7am to 10pm, including weekends. Unfortunately, under Levels 2, 3 and 4 we were unable to operate or were restricted by group sizes, which resulted in reduced occupancy. However, once we were able to run our classes and group activities, such as bridge and Mah Jong, in Level 1 we saw a return of many familiar faces.



Our Farmers' Market customers were eager to get back to Parnell Farmers' Market after the lockdown period and have been very supportive of our stallholders who are local growers and producers

During lockdown we provided many of our classes online and worked to engage our community by offering support to use Zoom. We also provided a “Coffee and Chat” group via Zoom for those who wanted to engage with others outside of their bubble.

Our Farmers' Market was certainly missed during lockdown. We received many phone calls and emails from the community asking when we were opening, not only for the produce but also for the human interaction so sadly missed by many extroverts under COVID-19.

Epsom Community Centre



December 2019's Christmas Market was an excellent way for us to introduce ourselves to the Epsom community and we received great feedback from local residents and board members

The Epsom Community Centre has four areas that are available for classes and activities and venue hire. These rooms are able to accommodate groups from two to 80 attendees. They are utilised by community, businesses, not for profit and social enterprise groups throughout the year. The Centre features a thriving community garden that is tended by dedicated volunteers. The garden provides learning opportunities for our on-site crèche and other community groups.

Lucy Jensen was appointed as Epsom Community Service Coordinator and, with the assistance of Sanjay Pereira – Venue Manager and Danielle Muller – Marketing Coordinator, she set about understanding the needs of the

Epsom community and developing stakeholder relationships to ensure that we created an inclusive and accessible facility for the local community. During the year we moved the office to provide an additional community space, offered a suite of classes and activities, a Christmas Market, Justice of the Peace service and a Book Swap Library among a range of our initiatives to revitalise the Epsom Community Centre.

My team worked extremely hard to provide an inclusive, activated space which resulted in recognition from the Albert-Eden local board by acknowledging our new Management Agreement Level of “Activation”.

Early Childhood Centres

The Early Childhood Centres, again, over the past year have suffered from shortages of qualified early childhood teachers. Focus on growing teachers' practice and meeting the ever changing Ministry of Education requirements has resulted in a Manager of Education and Care Services being appointed. This position will manage our Early Childhood Centres and Programmes for Children, commencing July 2020.



One of the new Social Activities activities we introduced to Epsom Community Centre was bridge, led by Mary Chamberlain from Parnell Community Centre Bridge Club

All three of our Early Childhood Education Centres had reached record enrolments in March 2020 prior to lockdown. However, we saw many children reduce days that they were previously attending as one or both parents were working from home. Prior to the latest lockdown, reduced attendance still seemed to be what the “new normal” looked like.

Gladstone Park Early Childhood Centre received a “Well Placed” report from the Education Review Office after their visit in March. Our newly developed appraisal system received positive feedback and we will be implementing this system in all three Early Childhood Education Centres.

Programmes for Children



Healthy Heart afternoon tea at St Johns Early Childhood Centre to celebrate Red Heart Day in February 2020



“Fantasy Faces” Club House activity in July’s Winter Action School Holiday Programme

Our current programmes at Epsom Normal Primary School and Our Lady of the Scared Heart have seen enrolments drop both for Before and After School and School Holidays due to parents working from home plus the threat of COVID-19. However, as parents regain confidence, we will see these numbers rise.

Our July School Holiday Programme provided children with exciting options plus the opportunity to be with friends and return to some sense of normality after a very difficult period.

We secured the contract to provide a Before and After School programme at Kadimah, commencing in January 2020. Kadimah is only a small school but have a planned move to a new location which will provide us with the opportunity to grow. Due to COVID-19

we experienced a reduction in enrolments which resulted in losses that were unsustainable and the Kadimah programme was suspended in June. We are looking forward to numbers increasing thereby enabling us to reinstate our outstanding programme at Kadimah School.

Outlook

COVID-19 has provided me with the opportunity to look at how we can move Parnell Community Trust forward in this uncertain time. One of our plans for 2020 is to upgrade and integrate our computer accounting system to provide more efficient administration and better reporting.

We are also investigating a change of name to represent our every growing presence outside of the Parnell area. As part of our growth beyond Parnell, Epsom Community Centre has received “Activation” status for 2020/2021 from the Albert-Eden Local Board due to the outcome of our efforts in changing and growing the community usage and culture of Epsom Community Centre. We would like to make our expertise available to assist other community centres in providing the best outcomes for their communities.

Finally, I would like to thank my staff for the dedication and agility shown through the COVID-19 lockdowns and the support from my Board, which has been invaluable.

A handwritten signature in black ink, appearing to read 'Lyn Fox', with a stylized 'L' and 'F'.

Lyn Fox

CHIEF EXECUTIVE

Parnell Community Trust

Treasurer's Report

for the year ended 30 June 2020

This report accompanies the Financial Statements of the Parnell Community Trust for the year ended 30 June 2020.

Revenue for the year is \$3,862,376, an increase of \$171,601 compared with last year at \$3,690,775. The net earnings loss for the year is \$4,851, an improvement on last year's earnings loss of \$147,925. The deficit has been added to accumulated surpluses of \$54,605 brought forward from last year leaving accumulated surpluses of \$49,754 to be carried forward to next year.

Trustees and management have focused throughout the year on three key areas: the health and safety of our people; enhancing the resilience of our business units by intensely managing our costs, cash flows and balance sheet; and retaining focus on customer performance and delivering our strategy.

Anticipating lower market activity ahead we have taken some difficult but decisive actions to reset the cost base of the business units and ensure the quality of the balance sheet.

Pleasingly, our cash flows have remained robust at a net positive \$277,701 supported by effective working capital management in a disruptive year. Overall, cash flow has improved by \$363,273 and borrowings from the bank have been reduced by \$321,855. As a result, the bank overdraft has been extinguished and a positive cash balance is being maintained.

With our now stronger balance sheet, we expect the tougher market can be weathered to achieve our aspirations and overall strategies more comfortably and with greater certainty. Trustees and management are pleased with the improved financial status achieved.

An unqualified Audit Report dated 15 September 2020 for the Financial Statements has been issued.



Bill Sinclair

TREASURER

Parnell Community Trust
Financial Statements
 for the year ended 30 June 2020

Contents	Page
Directory	10
Auditor’s Report	11
Statement of Comprehensive Revenue & Expenses	14
Statement of Movements of Equity	15
Statement of Financial Position	16
Cash Flow Statement	17
Statement of Accounting Policies and Notes	18

The Board of Trustees presents the financial statements of Parnell Community Trust for the year ended 30 June 2020.

The financial statements that follow are signed for and on behalf of the Board of Trustees and were authorised for issue on the date below.



Chair

Treasurer 

Date 15 September 2020

Parnell Community Trust Directory

Date of Registration 2 September 1982

Charity Registration Number CC25685

Registered Office 545 Parnell Road
Parnell
Auckland

Trustees Kate Wiseman (Chairperson)
Lynne Bjarnesen (Deputy Chairperson)
Kirsty Cameron (Secretary)
Chris Cole
Len Ward

Treasurer Bill Sinclair

Auditor William Buck Audit (NZ)
Level 4, 21 Queen Street
Auckland CBD 1010
New Zealand

Bank BNZ
80 Queen Street
Auckland

Parnell Community Trust

Independent auditor's report to the Trustees

Report on the Financial Report

Opinion

We have audited the financial statements of Parnell Community Trust (the entity), which comprise the statement of financial position as at 30 June 2020, and the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion accompanying financial statements give a true and fair view of the financial position of Parnell Community Trust as at 30 June 2020 and of its financial performance, and cash flows for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime (IPSAS RDR).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the entity.

ACCOUNTANTS & ADVISORS

Level 4, 21 Queen Street
Auckland 1010, New Zealand
PO Box 106 090
Auckland 1143, New Zealand
Telephone: +64 9 366 5000
williambuck.co.nz

William Buck Audit (NZ) Limited

Going Concern

We note in Note 18 in the financial statements, which indicates that the Trust incurred a net deficit of \$4,851 during the year ended 30 June 2020 and, as of that date, the Trust's current liabilities exceeded its current assets by \$153,006. As stated in Note 18, this condition, along with other matters as set forth in Note 18, indicate that the going concern assumption requires the support of the bank. The Trustees remain committed to the continued financial success of the Trust and its ability to operate as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of Parnell Community Trust for the year ended 30 June 2020 were audited by RSM Auckland. RSM Auckland issued an unqualified opinion dated 16 October 2019 on the financial statements for the year ended 30 June 2019. The information in the financial statements for the year ended 30 June 2019 forms part of the financial statements for the year ended 30 June 2020.

Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Trustees is responsible for the other information. The other information comprises the Chair's Report, Chief Executive's Report and the Treasurer's Report included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Trustees

The Board are responsible on behalf of the entity for the preparation of the financial statements that give a true and fair view in accordance with Public Benefit Entity International Public Sector Accounting Standards, and for such internal control as the Board determine is necessary to enable the preparation of the financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees is responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are as a whole free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/>

This description forms part of our independent auditor's report.

The engagement director on the audit resulting in this independent auditor's report is Alison Anderson.

Restriction on Distribution and Use

This report is made solely to the entity's trustees, as a body. Our audit work has been undertaken so that we might state to the entity's trustees those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the entity and the entity's trustees, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (NZ) Limited

Auckland
15 September 2020

Parnell Community Trust
Statement of Comprehensive Revenue & Expenses
for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue			
Revenue for non-exchange transactions	5	24,432	2,680
Revenue from exchange transactions	6	3,837,944	3,688,095
Total Revenue		3,862,376	3,690,775
Expenses			
Employee Related Costs		2,432,615	2,505,850
Marketing Expenses		23,763	36,544
Depreciation and Amortisation	7,8	80,949	77,492
Impairment	9	83,396	-
Occupancy Expenses		475,814	462,264
Operational Expenses		770,690	756,550
Total Expenses		3,867,227	3,838,700
Total surplus/(deficit) for the year		(4,851)	(147,925)

These financial statements should be read in conjunction with the Notes to the Financial Statements

Parnell Community Trust
Statement of Movements of Equity
for the year ended 30 June 2020

	2020	2019
	\$	\$
Equity at Beginning of Year	54,605	202,530
Comprehensive Revenue and Expense	(4,851)	(147,925)
Equity at the End of the Year	49,754	54,605

These financial statements should be read in conjunction with the Notes to the Financial Statements

Parnell Community Trust

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
Current Assets			
Cash and Cash Equivalents	14	19,331	30,262
Receivables from Exchange Transactions	14	329,674	244,410
Assets Held for Sale	9	187,851	279,370
Total Current Assets		536,856	554,042
Current Liabilities			
Payables under Exchange Transactions	14	170,863	84,714
Bank Overdraft	15	-	288,002
Employee Costs Payable		171,336	151,644
Fees and Grants in Advance	14	51,545	58,617
Government Wage Subsidy	16	194,765	-
Loan – Current	15	28,508	28,508
GST Payable		4,823	24,611
Accruals	14	68,022	57,548
Total Current Liabilities		689,862	693,644
Net Current Assets / (Liabilities)		(153,006)	(139,602)
Non-Current Assets			
Property, Plant & Equipment Cost	7	231,736	249,934
Intangible Assets-Software	8	5,072	12,174
Total Non-Current Assets		236,808	262,108
Non-Current Liabilities			
Loan – Non-Current	15	34,048	67,901
Total Non-Current Liabilities		34,048	67,901
Net Total Assets / (Liabilities)		49,754	54,605
Equity		49,754	54,605

These financial statements should be read in conjunction with the Notes to the Financial Statements

Parnell Community Trust
Cash Flow Statement
for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
<i>Receipts</i>			
Receipts from Government		1,370,945	1,319,383
Receipts from Council		103,192	97,988
Receipts from grants		1,710	2,680
Receipts from donations		90	-
Receipts from fees		2,249,253	2,314,398
Receipts from other income		51,878	26,104
Interest received		44	84
		3,777,112	3,760,637
<i>Payments</i>			
Payments to employees		2,432,615	2,505,850
Payments to suppliers		986,047	1,288,718
		3,418,662	3,794,568
Net cash (to)/from operating activities		358,450	(33,931)
Cash Flows from investing activities			
<i>Payments</i>			
Payments for property, plant and equipment		47,526	21,226
Net cash (to)/from investing activities		(47,526)	(21,226)
Cash flows from financing activities			
Repayment of bank debt		(33,853)	(31,045)
Net cash (to)/from financing activities		(33,853)	(31,045)
Net increase/(decrease) in cash and cash equivalents		277,071	(86,202)
Cash and cash equivalents at the beginning of the year		(257,740)	(171,538)
Cash and cash equivalents at the end of the year		19,331	(257,740)
Cash and cash equivalents comprise			
Cash		19,331	30,262
Bank overdraft		-	(288,002)
		19,331	(257,740)

These financial statements should be read in conjunction with the Notes to the Financial Statements

Parnell Community Trust

Statement of Accounting Policies

for the year ended 30 June 2020

1. REPORTING ENTITY

The reporting entity is Parnell Community Trust. Parnell Community Trust is domiciled in New Zealand and is a Charitable Organisation registered under the Charitable Trust Act 1957 with Charities Services registration number CC25685.

The financial statements of the Trust are presented for the year ended 30 June 2020.

These financial statements and the accompanying notes summarise the financial results of activities carried out by the Parnell Community Trust. The Parnell Community Trust is a provider of community and childcare services.

These financial statements have been approved and were authorised for issue by the Board of Trustees.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Trust financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity Standard Reduced Disclosure Regime ("PBE Standards RDR") and other applicable financial reporting standards as appropriate that have been authorized for use by the External Reporting Board for Not-For-Profit entities. The Trust is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE Standards RDR on the basis that it does not have public accountability and it is not defined as large.

The Board has elected to report in accordance with Tier 2 Not-For-Profit PBE Standards RDR and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

(b) Basis of Measurement

These financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of non-derivative financial instruments. The financial statements are prepared on a going concern basis (Note 18).

(c) Functional and Presentational Currency

The financial statements are presented in New Zealand dollars (\$), which is the Trust's functional and presentation currency.

3. SUMMARY OF ACCOUNTING POLICIES

The specific accounting policies adopted in the Financial Statements, which have a significant effect on the results and financial position, are disclosed in the notes to which they apply.

Other general accounting policies are:

(a) Income Tax and Goods and Services Tax

These Financial Statements have been prepared exclusive of Goods and Services Tax except for Debtors and Creditors that are inclusive of GST. Parnell Community Trust is a registered charity and is therefore exempt from income tax.

(b) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Trust and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

(c) Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments and bank overdrafts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Impairment of Non-Financial Assets

The carrying amounts of the Trust's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and any impairment recognized.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Trust's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Trust's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Useful lives and residual values

The useful lives and residual values of assets are assessed annually.

The estimated useful lives of the asset classes held by the Trust are listed in Notes 7 and 8. Assets held for sale are compared to Fair Value in Note 9.

5. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Grant Revenue

Grant revenue includes grants given by Auckland Council and charitable organisations. Grant revenue is recognised when the conditions attached to the grant have been complied with. Where there are unfulfilled conditions attached to the grant, the amount relating to the unfulfilled condition is recognised as a liability and released to revenue as the conditions are fulfilled.

Donations

Donations are recognised as revenue upon receipt and include donations from the general public, donations received for specific programmes and donations or services in-kind.

Donations in-kind include donations received for services, consumables and volunteer time and are recognised in revenue and expense when the goods or services are received. Donations in-kind are measured at their fair value as at date of acquisition, ascertained by reference to the expected cost that would be otherwise incurred by the Trust.

Services in-kind may be recognised as revenue but do not have to be, including volunteer time which has been recorded where possible but has not been given a financial value in these financial statements.

Included in operating income in the statement of comprehensive revenue and expenditure are the following grants:

	2020	2019
	\$	\$
Auckland Council Epsom Establishment	22,632	-
Lotteries Grant	-	2,680
Waitemata Local Board (Sustainable Living)	1,710	-
Donation	<u>90</u>	<u>-</u>
	<u>24,432</u>	<u>2,680</u>

6. REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions comprises income derived from normal trading activity where the amount of payment received for products or services is related to the quantum of product or service delivered.

Fees and Childcare Services

Revenue of this type includes fees from parents and guardians, hire of facilities and funding from Government and Auckland Council wherein the amount paid is related to the quantum of service delivered.

Where services are provided at a future date receipts are initially recorded as income in advance and recognised in revenue once the Trust becomes entitled to the revenue at the time the service is provided.

Interest and dividend income

Interest revenue is recognised as it accrues, using the effective interest method.

Dividend income is recognised when the dividend is declared.

Included in operating income in the statement of comprehensive income and expenditure are the following:

	2020	2019
	\$	\$
Auckland Council Jubilee Management	57,543	97,988
Auckland Council Epsom Management	23,017	-
Ministry of Education	1,294,970	1,140,765
Ministry of Social Development	75,975	77,950
Fees and Subscriptions	2,334,517	2,312,486
Interest Income	44	84
Other Operating Income	51,878	58,822
	<u>3,837,944</u>	<u>3,688,095</u>

7. FIXED ASSETS

Fixed assets are valued at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Depreciation is charged in the accounts on a straight-line basis over the estimated useful life of the assets, as summarised below:

Equipment	3 years
Furniture and Fittings	5 years
Leasehold Improvements	3-12.6 years
Technology	3-5 years

The carrying value of fixed assets is reviewed annually for any impairment in value. Impairment losses are recognised in the statement of comprehensive revenue and expenses.

	Opening NBV	Additions	Reclassify	Depreciation	Closing NBV
At 30 June 2020	\$	\$	\$	\$	\$
Equipment	7,743	25,839	-	(9,978)	23,604
Furniture and Fittings	3,456	-	-	(1,995)	1,461
Leasehold Improvements	221,600	1,059	-	(34,892)	187,767
Technology	17,135	20,628	-	(18,859)	18,904
	<u>249,934</u>	<u>47,526</u>	<u>-</u>	<u>(65,724)</u>	<u>231,736</u>
	Opening NBV	Additions	Reclassify	Depreciation	Closing NBV
At 30 June 2019	\$	\$	\$	\$	\$
Equipment	4,681	9,095	(587)	(5,446)	7,743
Furniture and Fittings	30,932	1,737	(18,783)	(10,430)	3,456
Leasehold Improvements	257,159	1,470	-	(37,029)	221,600
Technology	28,095	3,939	-	(14,899)	17,135
	<u>320,867</u>	<u>16,241</u>	<u>(19,370)</u>	<u>(67,804)</u>	<u>249,934</u>

Reclassification in the year ended 30 June 2019 represents the net book value of assets at St. Johns Early Childhood Centre listed for sale at that date (Note 9).

Depreciation and Amortisation Summary

At 30 June 2020	\$
Fixed Assets (Note 7)	65,724
Intangibles (Note 8)	7,102
Assets Held for Sale (Note 9)	8,123
	<u>80,949</u>

8. INTANGIBLES

Intangible assets of the Trust are software which is amortised on a straight-line basis over the estimated useful life of the asset in the range of 2-5 years.

	Opening NBV	Additions	Amortisation	Closing NBV
At 30 June 2020	\$	\$	\$	\$
Software	12,174	-	(7,102)	5,072

	Opening NBV	Additions	Amortisation	Closing NBV
At 30 June 2019	\$	\$	\$	\$
Software	21,867	-	(9,693)	12,174

9. ASSETS HELD FOR SALE

The Trust performed its annual impairment testing of goodwill by reviewing the fair value of the cash generating unit (St. Johns Early Childhood Centre) and the carrying value of the goodwill attached to that unit.

Cash flow from this cash generating unit has been impacted by COVID-19. The Trustees evaluated the net present value of future cash flows and accordingly assessed an appropriate impairment of the goodwill attributable to this asset as shown in the table below. The impairment losses are recognised in the statement of comprehensive revenue and expenses.

Equipment and furniture and fittings are depreciated at applicable rates for these asset classes.

	Opening NBV	Impairment	Depreciation	Closing NBV
At 30 June 2020	\$	\$	\$	\$
Goodwill	260,000	(83,396)	-	176,604
Equipment	587	-	(393)	194
Furniture and Fittings	18,783	-	(7,730)	11,053
	279,370	(83,396)	(8,123)	187,851

	Closing NBV
At 30 June 2019	\$
Goodwill	260,000
Equipment	587
Furniture and Fittings	18,783
	279,370

10. OPERATING LEASE COMMITMENTS

Operating leases are over Gladstone Park, Parnell and St Johns Early Childhood Centres, the Jubilee Building, and printers and photocopiers with Ricoh Finance and are recognised over the term of the lease.

Operating leases are not recognised in the Trust's statement of financial position.

	2020	2019
	\$	\$
Current Portion	333,120	345,060
Next 1-5 years	335,640	631,892
Over 5 years	<u>231,292</u>	<u>266,292</u>
	900,052	1,243,244

11. CAPITAL COMMITMENTS

At balance date the Trust has no capital commitments (2019: \$0).

12. CONTINGENT LIABILITIES

At balance date the Trust has no contingent liabilities (2019: \$0)

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the Board of Trustees, Chief Executive Officer, Chief Financial Officer, Marketing Manager, Venue Manager and Programmes for Children Manager, which comprises the governing body of the Group. No remuneration is paid to the members of the Board of Trustees. The aggregate remuneration of key personnel and the number of individuals receiving remuneration is:

	2020	2019
Total remuneration	\$426,619	\$475,480
Full time equivalents	5	5

14. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the financial instruments.

Financial Assets

The Trust's financial assets comprise: cash and cash equivalents and receivables from exchange transactions.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment.

Impairment of financial assets

The Trust assesses for each category of financial asset at the end of reporting date whether a financial asset or a group of financial assets is impaired when there is objective evidence of a loss in value.

	2020	2019
	\$	\$
<i>Loans and Receivables at Amortised Cost</i>		
Cash and cash equivalents	19,331	(257,740)
Receivable from exchange transactions	<u>329,674</u>	<u>218,892</u>
	<u>349,005</u>	<u>(38,848)</u>

Financial Liabilities

The Trust's financial liabilities include trade and other creditors (excluding GST and PAYE), employee entitlements, bank loans and overdrafts and deferred income (in respect to grants whose conditions are yet to be complied with).

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method.

Employee entitlements for wages, salaries and annual leave are recognised during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

	2020	2019
	\$	\$
<i>At Amortised Cost</i>		
Trade and other creditors	170,863	153,279
Accrued expenditure	68,022	57,548
Employee entitlements	132,023	107,690
Fees and Grants in Advance	51,545	58,617
Government Wage Subsidy	194,765	-
Loan and overdraft – BNZ	<u>62,556</u>	<u>384,411</u>
	<u>679,774</u>	<u>761,545</u>

15. BANK FUNDING

Bank funding comprises an overdraft facility and a term loan, both provided by the BNZ.

The arranged overdraft facility of \$200,000 is repayable on demand with a current interest rate of 11.3%.

The term loan is for 5 years and is due to be fully repaid by February 2022 with an interest rate of 7.17%

	2020	2019
	\$	\$
Bank overdraft	-	288,002
Bank loan – due within 12 months	28,508	28,508
Bank loan – due beyond 12 months	<u>34,048</u>	<u>67,901</u>
Total bank funding	<u>62,556</u>	<u>384,411</u>

16. GOVERNMENT WAGE SUBSIDY

The wage subsidy, designated as relief from wage expenditure in July and August 2020, was received on 19 June 2020.

17. EVENTS AFTER REPORTING DATE

The Board and management are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements, that have significantly affected or may significantly affect these financial statements.

After balance date between 12 August and 30 August 2020 Auckland was placed in a level 3 lockdown due to a community outbreak of COVID 19. The Trust had to close many of its operations including before and after school care, community activities and venue hire. The loss of revenue has enabled the Trust to access government assistance as a wage subsidy. From 31 August 2020 Auckland moved to alert level 2.5 and most activities have been able to resume. There are no significant changes to the amounts recorded at balance date. However, all New Zealand is experiencing economic uncertainty. The Trustees have taken steps to reduce expenditure and preserve cash flow where possible and believe the current budget for 2021 allows them to continue to operate efficiently (Note 18).

Post balance date the Trust has continued to show improvement in working capital and total equity.

18. GOING CONCERN

The Trustees have continued to adopt the going concern assumption when preparing these financial statements. At balance date, the Trust has a working capital deficit of \$(153,006) compared with \$(139,602) in the prior year. A net deficit of \$(4,851) after depreciation has been generated which is an improvement on the deficit of \$(147,925) incurred in the previous financial year.

The Childcare Centres, Programme for Children, Community Activities and Venue Hire business units continue to demonstrate growth and an ability to generate surpluses after a period of closedown due to COVID-19. The Trust continues to receive good support from its banking partner (BNZ) who provide an on-going overdraft facility without imposition of banking covenants.

Based on their financial forecasts, the Trustees remain committed to the continued financial success of the Trust and its ability to operate as a going concern.

